

DEPARTMENT OF THE AIR FORCE  
HEADQUARTERS UNITED STATES AIR FORCE  
WASHINGTON 25, D.C.



REPLY TO  
ATTN OF:

OSA-4654-65  
#1748

SUBJECT:

REPLY TO:  
Audit Liaison Office  
P. O. Box 8155  
S. W. Station  
Washington, D. C.

TO:

14 December 1965

SUBJECT: Review of ECP-1987-19 (Contract No. FH-7321)  
Airborne Instrument Laboratory  
Deer Park, New York

TO : Contracting Officer

1. A review has been made, to the extent deemed necessary, of the contractor's cost proposal to provide capabilities for production of crew films in operation and the techniques involved in producing these films. The review consisted of an evaluation of the proposed labor, overheads and general and administrative expense rates, a verification of the material costs proposed, and the pricing of estimated travel expense. The estimated labor hours, material requirements, number of trips and the need for overtime are recommended for review by a technically qualified representative.

2. A summary of the contractor's proposed by element of cost and the auditor's recommendations are as follows:

	Per Contractor Proposal	Auditor's Recom- mended Reduction	Ref Notes
Direct Labor - Engineering	\$ 52,022	\$ 9,704	a
Direct Labor - Manufacturing	1,308	88	a
Engineering Burden 104%	54,103	10,939	b
Manufacturing Burden 72.5%	948	82	b
Materials and Purchased Parts	86,847	3,500	c
Travel and Subsistence	16,366		d
Overtime Premium	573		e
Packaging and Shipping	1,434		f
Subtotal	\$213,601	\$24,313	
G & A 7.5%	16,020	2,013	b
Total Cost	\$229,621	\$26,326	
Fee Requested 7.5%	17,222		g
Total Proposal	\$246,843	28 300	
	28 300		
	218 543		

Ref. Notes:a. Direct Labor

(1) A comparison of the proposed average hourly rates by labor category with the average rates experienced under the 1987 program, of which this subject ECP is a part, indicated that the proposed rates are higher. The auditor's recommendation for a reduction is based on the substituting the actual average rates for the proposed hourly rates and questioning the difference as presented below:

	<u>Average Hourly Rates</u>		<u>Difference in Rate</u>	<u>Proposed</u>	<u>Recommended</u>
	<u>Per</u>	<u>Per</u>	<u>Under Proposal</u>	<u>Estimated</u>	<u>Reduction</u>
	<u>Proposal</u>	<u>Actuals</u>	<u>(Over Proposal)</u>	<u>Labor Hours</u>	<u>Diff. x Hrs.</u>
Administrative	\$3.98	\$3.06	\$ .92	700	\$ 644
Engineering	7.63	6.02	1.61	5,090	8,195
Technicians	3.86	3.44	.42	1,840	773
Publications	3.27	3.63	(.36)	170	(61)
Design and Drafting	3.70	3.63	.07	120	8
Packaging and Shipping	2.80	2.70	.10	90	9
Maintenance	3.27	3.05	.22	620	136
Total Direct Engineering Labor Questioned					<u>\$9,704</u>
Shop	\$3.27	\$3.05	\$ .22	400	<u>\$ 88</u>

It should be noted, acceptance of the proposed hourly rates in previous reviews performed on ECPs under this same program, were based on the compatibility with the actual experienced rates recommended by the Auditor for this report.

(2) A review of the direct labor hours by a qualified technical representative is recommended.

b. Burden and General and Administrative Expense

The burdens and G & A rates proposed are considered somewhat excessive compared to the current year to date incurred rates, as well as the contractor's budgets and forecasts. The contractor's computation and the Auditor's recommendations are as follows:

		<u>Engineering Burden</u>	<u>Manufacturing Burden</u>	<u>G &amp; A</u>
<u>Per Contractor's Proposal</u>				
Base		\$52,022	\$1,308	\$213,601
Rate		104%	72.5%	7.5%
Burden	A	<u>\$54,103</u>	<u>\$ 948</u>	<u>\$ 16,020</u>
<u>Per Auditor</u>				
Base Per Contractor:		\$52,022	\$1,308	\$213,601
Less: Auditor's Applicable Cost Quest.		9,704	88	24,313
Base Per Auditor		<u>\$42,318</u>	<u>\$1,220</u>	<u>\$189,288</u>
Rate		102%	71%	7.4%
Burden	B	<u>\$43,164</u>	<u>\$ 866</u>	<u>\$ 14,007</u>
Costs Questioned	A - B	<u>\$10,939</u>	<u>\$ 82</u>	<u>\$ 2,013</u>

c. Materials and Purchased Parts

(1) Except for two (2) items, the contractor's pricing of the bill of materials were verified to either purchase orders or to a vendor's catalogue. The Auditor's exceptions are based on lack of any support for miscellaneous photo supplies \$2,000 and a \$1,500 estimate for engineering changes that may be needed for alterations to the animation stands.

(2) The need for the particular items listed in the contractor's bill of materials are recommended for review by a technical representative.

d. Travel and Subsistence

The contractor's pricing of travel expense is considered acceptable for the purpose of this report. However, the need and number of trips are recommended for review by a technically qualified representative. The estimated round trips are as follows:

1 - Fourteen (14) day trips to the West Coast to set up the facility and start the operation (14 x \$801 = \$11,214).

2 - Twelve (12) two (2) day trips to the Mid-West for interface meetings with OPS personnel (12 x \$152 = \$1,824).

3 - Eight (8) three (3) day trips to the West Coast for vendor liason work (8 x \$416 = \$3,328).

e. Overtime Premium

The contractor estimated 10% of Class VI through IX labor as overtime. The premium portion is computed by applying  $\frac{1}{2}$  of the hourly rate to 10% of the estimated direct labor of these classes as follows:

<u>Labor Class</u>	<u>Proposed Estimated Labor Hours</u>	<u>Hourly Rate Per Proposal</u>	<u>10% of Proposed Labor Hours</u>	<u><math>\frac{1}{2}</math> of Hourly Rate</u>	<u>Premium Time</u>
VI	1600	\$3.70	160	\$1.85	\$296
VII	1410	3.27	140	1.63	228
VIII	90	2.80	10	1.40	14
IX	280	2.33	30	1.16	35
					<u>\$573</u>

f. Packaging and Shipping

No exceptions noted.

g. Contractor has requested a fee based on <sup>7.5%</sup>10% of the estimated costs.

3. The results of the review were discussed with the contractor's representative who reserved comment at this time.

WILLIAM F. EDWARDS  
Auditor General Representative (APL)

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